

Property Focus

Market set to return to normal

With uncertainty about taxation changes now over normal New Zealand property market trends are likely to return.

Head of Real Estate Operations for Harcourts Australasia Bryan Thomson is predicting that now the Government has revealed its 2010 Budget and announced the taxation changes it will introduce later in the year normal trends in the New Zealand property market should return.

"While the Government did an excellent job foreshadowing its intentions, preparing everyone for change, many have stalled their property decisions until they knew for sure what was in store. Consequently the volume of property sales in most locations has been reduced as people have waited for confirmation of the Government's new tax regime," he says.

"Now people have the facts they should feel more comfortable making decisions concerning their future, including about buying and selling real estate. So, it's likely we will see activity in the housing market pick up and begin to follow more normal historical trends."

Mr Thomson says he does not expect the taxation changes the Government has announced will negatively impact housing prices.

"Certainly some of the changes will impact those who have been strategically using property investment primarily to minimise taxation payments, however most homeowners in New Zealand aren't property investors.

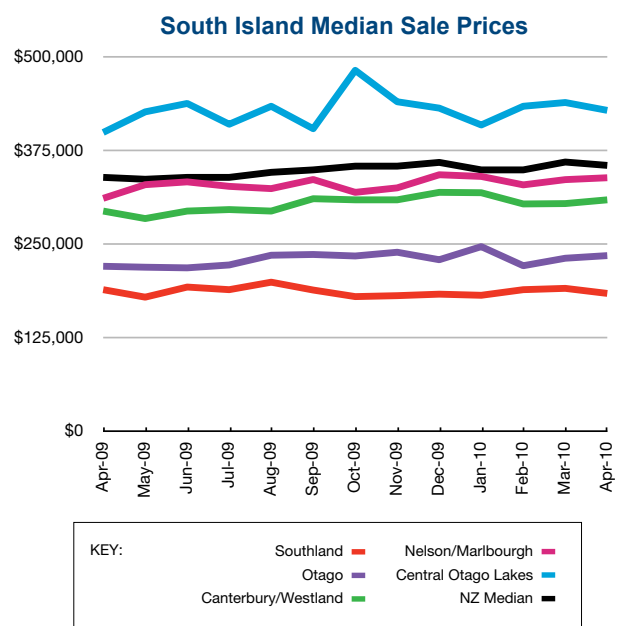
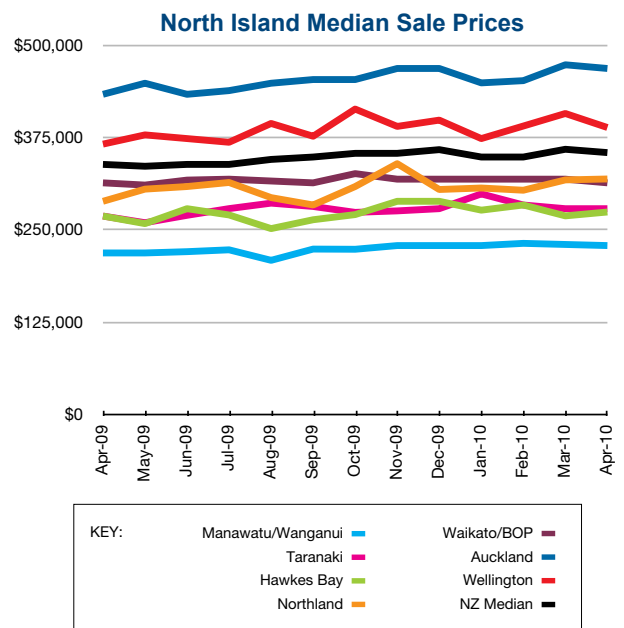
"Further, I believe that even within the property investment community the vast majority aren't in it to rot the system as some claimed they were but because they see property as a good long-term investment, with tenants helping them to pay off an asset they would otherwise not be able to afford. Therefore, even with these taxation changes property will still have merit to this group."

Mr Thomson says one of the Government's stated intentions was to tilt the balance away from consumption and towards savings and investment, preferably what they called "more productive" investment than the housing market.

By introducing personal tax rate cuts and increasing GST the Government have put the control for achieving that more firmly into people's own hands, he says.

"For many New Zealanders that will continue to mean investing in property, as in our country it's proven to be a good investment choice."

New Zealand dwellings' median prices



Source: Real Estate Institute of New Zealand

Fixtures and chattels - what stays or goes?

When either buying or selling it's important you know the difference between chattels and fixtures.

Ensuring you're clear about what is a fixture versus a chattel, and of the latter which are staying or going, will help your property transactions go smoothly.

The simple definitions are as follows:

- A fixture is something that is fixed to the property and forms part of the property.
- A chattel is something that is movable and does not form part of the property.

Fixtures are passed to the buyer regardless of whether or not they are specified in the agreement for sale and purchase of real estate, but chattels on the other hand will only be part of the deal if they are noted in the agreement, otherwise they will go with the seller.

To avoid what could be a costly and long battle, sellers and buyers should ensure they are clear about the fixtures and chattels as early as possible in the process, particularly given the potential for

arguments around 'grey areas' like telephones and light shades.

Sellers would be wise to ensure that when listing their property with a Sales Consultant they record the fixtures and chattels before their home goes on the market. Further, sellers should specify the chattels they want to take and which are included in the sale. Later they should check only the latter are included in the relevant section of any subsequent agreement for sale and purchase.

Buyers meanwhile, need to ensure when inspecting a property that they find out from the Sales Consultant what are listed as fixtures and what the status of the chattels is. It is risky to assume, plus if a buyer really wants a particular chattel to stay the vendor may be negotiable. The final step for a buyer is to check the chattels that in their understanding are staying are indeed listed on any subsequent agreement.

Floating rates attractive

Floating home loan interest rates are likely to remain lower than fixed for a while yet, so if possible take advantage of them.

That is the advice of Mortgage Express CEO Andrew L'Almont, who says that in the short term at least floating rates look likely to remain lower than those for fixed-term loans.

"First home buyers, those coming off a fixed-term and those who don't need the surety of having their mortgage repayments set for a number of years should consider the floating opportunities currently available, as there is potential to make some good savings."

Mr L'Almont says the window of opportunity may be limited though, with the Reserve Bank signaling a lift to the Official Cash Rate may not be far off.

"Therefore some may prefer to lock in their mortgage at the fixed rates currently available - it depends on their circumstances and appetite for risk."

Did you know?

- Based on data from the last 30 years New Zealand houses are on average owned for 7.2 years before being sold, according to Quotable Value. Analysis of just last year's house sales found the average for those properties was just 5.9 years.
- In terms of average value, between March 2009 and March 2010 the North Shore had six of the

country's highest performing suburbs – Sunnynook, Chatswood, Forrest Hill, Totara Vale, Glenfield and Hillcrest. Onenama on the Coromandel Peninsula, Feilding in the Manawatu, Harbour View in Hutt City and Kingswell in Invercargill were also in the Top 10 according to QV's E-valuer data.

- In April the truncated mean asking price of the properties listed on realestate.co.nz was \$422,520, which is just 2% below the October 2007 peak.
- Australia is tightening the rules on foreign

investment in real estate to ensure pressure isn't placed on housing availability and affordability for local residents. New Zealand's Green Party is calling for the same to be done here.

- The latest New Zealand mortgagee data shows in February, for the first time since November 2007, there were fewer mortgagee sales than in the same month in the previous year, according to Terralink International, which says this suggests pressure on indebted homeowners is easing.